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## Westly's Corrections Audit Uncovers Wasteful Spending and Abuse

*Calls Upon Attorney General's Office to Take Legal Action to Recoup Overpayments*

**SACRAMENTO** – State Controller Steve Westly today released an audit exposing widespread waste and abuse in the California Department of Corrections and Rehabilitation's (CDCR) healthcare system.

It costs \$3,850 per year to provide health insurance to the average California worker. CDCR spends \$7,000 per inmate per year on healthcare. According to the audit, the problems at CDCR's healthcare delivery system stem from ineffective management and lack of accountability.

"There's no way to sugarcoat these findings," Westly said. "The State pays twice as much to provide health care to a prisoner as it costs to insure the average California worker – and the State has very little to show for it. We have to stop pouring millions of dollars down a bottomless pit and fix this system."

Controller Westly's auditors found numerous examples of waste and abuse:

- CDCR overpaid a contractor almost half a million dollars for services rendered over a 10-month period. This same contractor provided inaccurate test results of Hepatitis C. Instead of firing the contractor, CDCR paid for retesting, duplicating the costs for testing the same inmates. CDCR then renewed this doctor's contract for another three years.
- One urologist charged the State \$2,036 per hour for his services.
- An orthopedic surgeon billed the State \$1.48 million for a year's worth of clinical and surgical services at two prisons. When the Controller's Office examined an invoice from this surgeon for a single day's worth of procedures, auditors found that he had charged for services that would have required 30 hours of actual work.

Controller Westly has referred these findings to the Attorney General for possible legal action against contractors who overcharged the State millions for services not performed.

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CDCR's spending rose from \$676 million in the 2000-2001 fiscal year to an estimated \$1.2 billion this year. In April, Controller Westly launched the audit of CDCR to determine why, despite doubling its spending on health care since 2000, the State's prison healthcare system was failing to provide adequate care. The CDCR healthcare system is the first-ever California entity to be taken over by the federal government. In February, U.S. District Court Judge Thelton E. Henderson appointed Robert Sillen as Federal Receiver. The Controller's audit will provide the Federal Receiver with a comprehensive review of the deficiencies in the Department's accounting and contracting processes and procedures.

"The people of California are entitled to know how their tax dollars are being spent," continued Westly. "This audit clearly shows that CDCR is plagued by waste and abuse. My staff and I stand ready to work hand-in-hand with the Receiver to address these issues, and with the Attorney General to prosecute those who have cheated the State out of millions of dollars."

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**The following is an outline of the findings from the audit. To view the entire audit, please go to [www.sco.ca.gov](http://www.sco.ca.gov).**

**Finding 1** –The CDCR has no clear policies to manage its medical service contracts and provide proper oversight for billing and payments.

**Finding 2** – The CDCR's contract negotiation process is deficient, and as a result, CDCR continues to pay significantly more than other major purchasers of healthcare services for the same medical services.

**Finding 3** –CDCR contracts continue to pay hospitals based on a percentage of the hospital's billed charges, which has led to overpayments and billing abuses.

**Finding 4** – An opportunity for significant State savings has been delayed for years due to objections raised by a contractor who is financially benefiting from the delay.

**Finding 5** – Prison medical facilities have been functioning at a fraction of their capacity due to lack of qualified personnel, services, and equipment.

**Finding 6** – CDCR's first level of review for contract charges and medical services is ineffective due to lack of staff training.

**Finding 7** – Decisions regarding medical treatment are sometimes made based on legal considerations rather than on what is medically necessary and appropriate.

**Finding 8** – Internal controls at State prisons are ineffective in identifying and preventing overpayments or billing abuses, and this has allowed several contractors to inflate their charges.